

Unofficial Translation

BANK INDONESIA REGULATION  
NUMBER 8/19/PBI/2006  
CONCERNING  
EARNING ASSETS QUALITY AND  
ALLOWANCE FOR EARNING ASSETS LOSSES  
FOR RURAL BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas business performance and sustainability of Rural Banks are influenced by the quality of provision of funds in earning assets, including preparedness to bear loss risk originating from the provision;
  - b. whereas in order to develop the business and to manage the risk, Rural Bank management is required to maintain earning assets quality and establish allowance for earning assets losses;
  - c. whereas provision of Rural Bank funds in earning assets has different characteristics than those of Commercial Banks;

d. whereas, ...

- d. whereas, therefore, it is deemed necessary to improve stipulations concerning earning assets quality and allowance for earning assets losses for Rural Banks in a Bank Indonesia Regulation;

- In view of :
- 1 Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement of the State Gazette of the Republic Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement of the State Gazette of the Republic of Indonesia Number 3790);
  2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED ...

HAS DECREED :

To enact :   BANK INDONESIA REGULATION CONCERNING EARNING  
ASSETS QUALITY AND ALLOWANCE FOR EARNING  
ASSETS LOSSES FOR RURAL BANKS.

CHAPTER I

GENERAL PROVISIONS

Article 1

Terminologies used in this Bank Indonesia Regulation are defined as follows.

1. “Rural Bank”, hereinafter referred to as BPR, is a Rural Bank as defined in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business on conventional basis;
2. “Earning Assets” are provisions of BPR funds denominated in the rupiah currency to acquire earnings in the forms of Credit, Bank Indonesia Certificate, and Interbank Placement.
3. “Credit” is a provision of funds or equivalent claims based on a lending agreement between BPR and another party requiring the borrowing party to repay the debt at a specified term with interest.
4. “Bank Indonesia Certificate”, hereinafter referred to as SBI, is a security denominated in the rupiah currency issued by Bank Indonesia as a short-term debt instrument.

5. “Interbank ...

5. "Interbank Placement" is a fund placement by BPR in another bank in the form of saving deposit, time deposit, certificate of deposit, Credit extended, and other similar placements.
6. "Allowance for Earning Assets Losses", hereinafter referred to as PPAP, is a reserve to be established amounting to a certain percentage of the debit balance based on the classification of Earning Assets quality.
7. "BPR Management" are members of the Board of Directors and the Board of Commissioners of BPR as referred to in Bank Indonesia stipulations on BPR.
8. "Debtor" is an individual, company, or entity customer which obtains one or more facilities of provision of funds.
9. "Credit Restructuring" is an improvement effort of BPR in credit activity toward Debtor which is up against difficulties in meeting its obligations, implemented through :
  - a. rescheduling, namely amendment to the repayment schedule of a Debtor's obligations or the term thereof;
  - b. reconditioning, namely amendment to all or a part of the terms and conditions of Credit, including but not limited to amendment to repayment schedule, term, and/or other terms and conditions insofar as it does not involve any amendment to the maximum ceiling of Credit; and/or
  - c. restructuring, namely amendment to the terms and conditions of Credit in respect to addition of Credit facility and conversion of a part or all arrears in interest installments to be a new Credit principal which may be followed by a rescheduling and/or reconditioning.

10. "Other ...

10. “Other Real Estate Owned”, hereinafter referred to as OREO, is assets obtained by BPR either through auction or over the counter based on a voluntary transfer by a collateral owner and based on a power of attorney to sell over the counter from the collateral owner in the event that Debtor has been declared Loss.

## CHAPTER II

### EARNING ASSETS QUALITY

#### Article 2

- (1) Provision of BPR funds in Earning Assets shall be made on the basis of prudential principles.
- (2) To implement the prudential principles as referred to in paragraph (1) BPR Management shall examine, monitor, and take anticipatory measures to ensure that Earning Assets Quality is always classified Current.

#### Article 3

- (1) Quality of Earning Assets in the form of Credit shall be rated by 4 (four) classifications, namely Current, Substandard, Doubtful, and Loss.
- (2) The rating in Earning Assets Quality as referred to in paragraph (1) shall be based on promptness of repayment and/or repayment ability of Debtor.
- (3) There are 3 (three) classifications of Earning Assets in the form of Credit as follows.
  - a. Credit with installments, excluding Housing Credit, with installment period :

1) Less than ...

- 1) Less than 1 (one) month, or
  - 2) 1 (one) month or more.
- b. Credit with installments, for Housing Credit; and
  - c. Credit without installments.

#### Article 4

- (1) The qualities of Credit with installment period less than 1 (one) month as referred to in Article 3 paragraph (3) letter a number 1) are as follows.
  - a. Current, if :
    - 1) there is no arrear in principal and/or interest installments, or
    - 2) there are arrears in principal and/or interest installments of no more than 1 (one) month and Credit has not been due.
  - b. Substandard, if :
    - 1) there are arrears in principal and/or interest installments of more than 1 (one) month but no more than 3 (three) months; and/or
    - 2) Credit has been due for no more than 1 (one) month.
  - c. Doubtful, if :
    - 1) there are arrears in principal and/or interest installments of more than 3 (three) months but no more than 6 (six) months; and/or
    - 2) Credit has been due for more than 1 (one) month but no more than 2 (two) months.
  - d. Loss, if :

1) there are ...

- 1) there are arrears in principal and/or interest installments of more than 6 (six) months;
  - 2) Credit has been due for more than 2 (two) months;
  - 3) Credit has been transferred to State Claim Agency (BUPN); and/or
  - 4) Credit has been filed for claim payment to credit insurance company.
- (2) The qualities of Credit with an installment period of 1 (one) month or more as referred to in Article 3 paragraph (3) letter a number 2) are as follows.
- a. Current, if :
    - 1) there is no arrear in principal and/or interest installments; or
    - 2) there are arrears in principal and/or interest installments of no more than 3 (three) times and Credit has not been due.
  - b. Substandard, if :
    - 1) there are arrears in principal and/or interest installments of more than 3 (three) times but no more than 6 (six) times; and/or
    - 2) Credit has been due for more than 1 (one) month.
  - c. Doubtful, if :
    - 1) there are arrears in principal and/or interest installments of more than 6 (six) times but no more than 12 (twelve) times; and/or
    - 2) Credit has been due for more than 1 (one) month but no more than 2 (two) months.
  - d. Loss, if :

1) there are ...

- 1) there are arrears in principal and/or interest installments of more than 12 (twelve) times;
- 2) Credit has been due for more than 2 (two) months;
- 3) Credit has been transferred to BUPN; and/or
- 4) Credit has been filed for claim payment to credit insurance company.

#### Article 5

The qualities of Credit with installments, for Housing Credit, as referred to in Article 3 paragraph (3) letter b are as follows.

a. Current, if :

- 1) there is no arrear in principal and/or interest installments; or
- 2) there are arrears in principal and/or interest installments of no more than 6 (six) times and Credit has not been due.

b. Substandard, if :

- 1) there are arrears in principal and/or interest installments of more than 6 (six) times but no more than 9 (nine) times; and/or
- 2) Credit has been due for no more than 1 (one) month.

c. Doubtful, if :

- 1) there are arrears in principal and/or interest installments of more than 9 (nine) times but no more than 30 (thirty) times; and/or

2) Credit ...



- 2) Credit has been due for more than 1 (one) month but no more than 2 (two) months.
- d. Loss, if :
- 1) there are arrears in principal and/or interest installments of more than 30 (thirty) times;
  - 2) Credit has been due for more than 2 (two) months;
  - 3) Credit has been transferred to BUPN; and/or
  - 4) Credit has been filed for claim payment to credit insurance company.

#### Article 6

The qualities of Credit without installment as referred to in Article 3 letter c are as follows.

- a. Current, if :
- 1) there is no arrear in interest installments; or
  - 2) there are arrears in interest installments of no more than 3 (three) times and Credit has not been due.
- b. Substandard, if :
- 1) there are arrears in interest installments of more than 3 (three) times but no more than 6 (six) times; and/or
  - 2) Credit has been due for no more than 1 (one) month.
- c. Doubtful, if :

1) there are ...

- 1) there are arrears in interest installments of more than 6 (six) times but no more than 12 (twelve) times; and/or
  - 2) Credit has been due for more than 1 (one) month but no more than 2 (two) months.
- d. Loss, if :
- 1) there are arrears in interest installments of more than 12 (twelve) times;
  - 2) Credit has been due for more than 2 (two) months;
  - 3) Credit has been transferred to BUPN; and/or
  - 4) Credit has been filed for claim payment to credit insurance company.

#### Article 7

The quality of Earning Assets in the form of SBI is stipulated as Current.

#### Article 8

The quality of Earning Assets in the form of Interbank Placement is classified into 3 (three) categories as follows.

- a. Current, if there is no arrear in principal and/or interest installments;
- b. Substandard, if there are arrears in principal and interest installments for no more than 5 (five) working days;
- c. Loss, if :

1) there are ...

- 1) there are arrears in principal and/or interest installments for more than 5 (five) working days;
- 2) bank receiving Interbank Placement has been settled on the status of special mention; and/or
- 3) bank receiving Interbank Placement has been liquidated.

#### Article 9

- (1) For BPR extending Credit as referred to in Article 4, Article 5, and Article 6 with a grace period, arrears in principal and/or interest installments are calculated after the grace period ends.
- (2) The grace period as referred to in paragraph (1) is stated in lending agreement between BPR and Debtor.

#### Article 10

Earning Assets Quality determined by a BPR may be downgraded by Bank Indonesia based on professional judgment in the event of any condition as follows.

- a. The Debtor is no more known whereabouts; and/or
- b. The Debtor's business is bankrupt.

Article 11 ...

#### Article 11

- (1) In case of any difference in the rating of Earning Assets Quality between BPR and Bank Indonesia, the Earning Assets Quality in effect is the one stipulated by Bank Indonesia.
- (2) BPR is required to adjust Earning Assets Quality in accordance with Earning Assets Quality rating stipulated by Bank Indonesia as referred to in paragraph (1) on reports to be submitted to Bank Indonesia and/or on publication reports in accordance with applicable Bank Indonesia stipulations by no more than 14 (fourteen) days since the date of notice from Bank Indonesia.

### CHAPTER III

#### ALLOWANCE FOR EARNING ASSETS LOSSES

#### Article 12

- (1) BPR is required to establish PPAP comprising general PPAP and special PPAP.
- (2) The general PPAP as referred to in paragraph (1) shall be at a minimum of 0.5% (five per thousand) of Earning Assets with a quality of Current, excluding SBIs.
- (3) The special PPAP as referred to in paragraph (1) shall be at a minimum of :
  - a. 10% (ten percent) of Earning Assets with a quality of Substandard after deducted by collateral value;

b. 50% ...

- b. 50% (fifty percent) of Earning Assets with a quality of Doubtful after deducted by collateral value; and
- c. 100% (one hundred percent) of Earning Assets with a quality of Loss after deducted by collateral value.

### Article 13

- (1) Collateral value taken into account as a subtracter in the establishment of PPAP as referred to in Article 12 paragraph (3) shall be at the amount of :
  - a. 100% (one hundred percent) of liquid collateral, comprising SBIs, saving deposits, and time deposits which are blocked at the concerned bank equipped with a power of attorney to disburse, gold, and precious metal;
  - b. 80% (eighty percent) of mortgage value for collateral comprising land, building, and house with a right of ownership certificate (SHM) or a right to build certificate (SHGB) bound with mortgage;
  - c. 60% (sixty percent) of tax object sale value for collateral comprising land, building, and house with a SHM or a SHGB, right to use without mortgage;
  - d. 50% (fifty percent) of tax object sale value for collateral comprising land with ownership evidence in the form of custom land title letter C equipped with latest tax statement (SPPT); and
  - e. 50% (fifty percent) of market value for collateral comprising vehicle equipped with ownership evidence and bound in accordance with applicable stipulations.

(2) Collaterals ...

- (2) Collaterals other than those stated in paragraph (1) shall not be taken into account as subtracters in the establishment of PPAP.

#### Article 14

- (1) BPR is required to appraise collateral to find out its economic value.
- (2) If the appraisal on collateral is not exercised as referred to in paragraph (1), the appraisal result shall not be taken into account as the subtracting factor of PPAP.

#### Article 15

- (1) Bank Indonesia has the authority to review any collateral value taken into account as a subtracter in the establishment of PPAP if BPR fails to comply with stipulations as referred to in Article 13 and Article 14.
- (2) BPR is required to adjust PPAP calculation in accordance with the calculation stipulated by Bank Indonesia as referred to in paragraph (1) on reports to be submitted to Bank Indonesia and/or on publication reports in accordance with applicable Bank Indonesia stipulations by no more than 14 (fourteen) days since the date of notice from Bank Indonesia.

### CHAPTER IV

#### CREDIT RESTRUCTURING

#### Article 16

BPR may implement Credit Restructuring on Debtor meeting criteria as follows.

a. Debtor ...

- a. Debtor is in difficulties to repay credit principal and/or interest; and
- b. Debtor owns a good business prospect and is expected to be able to meet requirements after the Credit is restructured.

#### Article 17

BPR is prohibited to restructure Credit as referred to in Article 16 if it is only intended to avoid :

- a. downgrading of Credit quality;
- b. increase in PPAP; and/or
- c. discontinuation of acknowledgement of interest earnings on accrual basis.

#### Article 18

- (1) The quality of restructured Credit as referred to in Article 16 shall be :
  - a. no higher than Substandard, for Credit classified before restructuring as Doubtful or Loss; and
  - b. unchanged, for Credit classified before restructuring as Current or Substandard.
- (2) The quality of Credit as referred to in paragraph (1) may become :
  - a. current, if there is no arrear in principal and/or interest installments in 3 (three) consecutive payment time period; and
  - b. equal to Credit quality prior to the Credit Restructuring, if the Debtor fails to comply with the conditions as referred to in letter a.

Article 19 ...

#### Article 19

BPR is required to apply Credit Restructuring accounting, including but not limited to acknowledgement on losses originating from the Credit Restructuring, in accordance with applicable Financial Accounting Standard and Accounting Principles of Indonesian Banks.

#### Article 20

- (1) BPR is required to hold written policy and procedure on Credit Restructuring.
- (2) The Credit Restructuring policy as referred to in paragraph (1) shall be approved by the Board of Commissioners.
- (3) The Board of Commissioners is required to exercise active supervision on the implementation of Credit Restructuring policy as referred to in paragraph (1).

#### Article 21

The quality of restructured Credit with a grace period as referred to in Article 9 paragraph (1) shall be as follows.

- a. during grace period, the Credit quality takes the quality prior to the restructuring, and
- b. after grace period ends, the Credit quality refers to stipulation in Article 18.



## Article 22

Bank Indonesia has the authority to correct Credit Restructuring quality, PPAP, and interest earnings acknowledged on accrual basis, if :

- a. According to Bank Indonesia, the Credit Restructuring is actually implemented with objectives as referred to in Article 17;
- b. Debtor does not execute Credit Restructuring agreement or contract; and/or
- c. Credit Restructuring is repeatedly executed with objectives only to improve Credit quality without taking into consideration on Debtor's business prospect.

## CHAPTER V

### OTHER REAL ESTATE OWNED (OREO)

## Article 23

- (1) BPR may take over collateral, on temporary basis, in the settlement of Credit with a quality of Loss.
- (2) BPR is required to make efforts in OREO settlement as referred to in paragraph (1) by no more than 2 (two) years since the takeover.
- (3) If in the period of time as referred to in paragraph (2) BPR fails to settle OREO, the BPR is required to pay out the OREO.
- (4) BPR is required to make documentation on the efforts of OREO settlement as referred to in paragraph (2).

Article 24 ...

#### Article 24

- (1) BPR is required to appraise OREO at the moment of the collateral takeover to determine its net realizable value.
- (2) The OREO value as referred to in paragraph (1) shall be as follows.
  - a. for OREO with a value of up to Rp500,000,000.00 (five hundred million rupiah) may be executed by internal BPR appraiser; and
  - b. for OREO with a value of over Rp500,000,000.00 (five hundred million rupiah) must be executed by independent appraiser.
- (3) The OREO value as referred to in paragraph (1) covers any collateral.

### CHAPTER VI

#### WRITE OFF AND COLLECT OFF

#### Article 25

- (1) BPR is required to hold written policy and procedure on OREO, write off, and collect off.
- (2) The policy as referred to in paragraph (1) shall be approved by the Board of Commissioners.
- (3) The Board of Commissioners is required to exercise active supervision on the implementation of policy as referred to in paragraph (1).

Article 26 ...

#### Article 26

- (1) Write off and/or collect off may be exercised only on the provision of funds classified Loss.
- (2) Write off may not be exercised on part of provision of funds (partial write off).
- (3) Collect off may be exercised on a part or the whole provision of funds.
- (4) Collect off on part of provision of funds as referred to in paragraph (3) may only be exercised in the framework of Credit Restructuring or settlement.

#### Article 27

- (1) Write off and/or collect off as referred to in Article 26 may only be exercised after BPR takes efforts to regain Earning Assets extended.
- (2) BPR is required to document the efforts taken as referred to in paragraph (1) and the basis of consideration of the write off and/or collect off.
- (3) Bank is required to administer data and information on Earning Assets under write off and/or collect off.

### CHAPTER VII

#### SANCTIONS

#### Article 28

BPR failing to comply with the provisions in Article 2, Article 11 paragraph (2), Article 12 paragraph (1), Article 14 paragraph (1), Article 15 paragraph (2),

Article 17 ...

Article 17, Article 19, Article 20, Article 23 paragraph (2), paragraph (3), and paragraph (4), Article 24 paragraph (1), Article 25, Article 26 paragraph (1), paragraph (2), and paragraph (4), and Article 27, shall be liable to administrative sanctions as referred to in Article 52 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, comprising :

- a. written warning;
- b. downgrading of credit value in the rating; and/or
- c. inclusion of the management and/or shareholders in a list of parties classified fail in BPR fit and proper test as stipulated by Bank Indonesia.

## CHAPTER VIII

### CONCLUDING PROVISIONS

#### Article 29

With the issuance of this Bank Indonesia Regulation,

- a. Bank Indonesia Board of Directors Decree Number 26/22/KEP/DIR dated May 29, 1993, concerning Earning Assets Quality and Allowance for Earning Assets Losses; and
- b. Bank Indonesia Board of Directors Decree Number 26/167/KEP/DIR dated March 29, 1994, concerning Amendment to Bank Indonesia Board of Directors Decree Number 26/22/KEP/DIR dated May 29, 1993, concerning Earning Assets Quality and Allowance for Earning Assets Losses,

are revoked and declared no longer valid.

Article 30 ...

Article 30

This Bank Indonesia Regulation shall not be put into effect for BPR of former Rural Credit Institution (BKD) established under *Staatsblad* Number 357 of 1929 and *Rijksblad* Number 9 of 1937.

Article 31

This Bank Indonesia Regulation shall be in force since December 1, 2006.

Enacted in Jakarta

Dated October 5, 2006

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 76 OF  
2006

DPBPR

ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER 8/19/PBI/2006  
CONCERNING  
EARNING ASSETS QUALITY AND  
ALLOWANCE FOR EARNING ASSETS LOSSES  
FOR RURAL BANKS

**GENERAL REVIEW**

As an institution dealing with collection and extension of community funds, Rural Bank's business performance and sustainability extremely depend on the quality of provision of funds in earning assets. Poor quality provision of funds in the earning assets will result in deteriorating performance and may jeopardize the sustainability of the bank's business.

In order to safeguard and maintain the sustainability of its business Rural Bank is required to examine, monitor, and maintain its provision of bank funds in earning assets to be continuously in current condition. In addition, to anticipate potential losses arising from the bank fund placement in earning assets Rural Bank is required to establish allowance for earning assets losses.

In minimizing further potentially larger losses due to the deteriorating Debtor's condition Rural Bank may also exercise restructuring on its Credit to

Debtor ...

Debtor facing difficulties in principal and interest repayment but still possessing a favorable business prospect after the restructuring.

In view of the abovementioned matters and in order to realize procedures for rating of earning assets based on prudential principles and considering Rural Bank's business developments, it is necessary to enact this Bank Indonesia Regulation.

## **ARTICLE BY ARTICLE**

### Article 1

Self-explanatory.

### Article 2

#### Paragraph (1)

The provision of BPR funds in Earning Assets is based on evaluation on Debtor's business condition and repayment ability, among other things, taking into account factors of character, capital, capacity, condition of economy, and collateral.

#### Paragraph (2)

Included in necessary measures are taking actions and efforts to prevent potential failure in the provision of funds.

### Article 3

#### Paragraph (1)

Self-explanatory ...

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a and b

Credit with installments is a Credit of which principal is repaid in stages based on a schedule stipulated in lending agreement.

The meaning of installments used in Credit quality rating is the conformity of value between installments received by BPR and those proper as stated in lending agreement.

Example :

In the lending agreement is stated that the principal installment amounts to Rp1,000,000.00 and interest installment to Rp150,000.00 per month.

Debtor pays installments as follows (in rupiah).

Installment	Principal	Interest
month - 1	1,000,000.00	150,000.00
month - 2	500,000.00	50,000.00
month - 3	600,000.00	50,000.00



month - 4	1,000,000.00	75,000.00
month - 5	700,000.00	50,000.00
Total	3,800,000.00	375,000.00

Therefore, up to the fifth month principal installments are recorded 3 times (in arrears 2 times) and interest installments 2 times (in arrears 3 times).

#### Letter c

Credit without installments is defined as a Credit where the Debtor only repays interest installments, while the principal repayments are not set in stages in the lending agreement, including :

- a. Credit which may be disbursed in stages or all at once;  
and
- b. Debtor may repay Credit principal in part or in full and withdraw additional funds as far as Credit facility is still available and has not been due.

#### Article 4

##### Paragraph (1)

Principal installment arrear is defined as a credit principal installment which has not been repaid after it is due.

Interest ...

Interest installment arrear is defined as an interest installment of Credit, either Credit with or without installments, which has not been repaid after it is due.

Paragraph (2)

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Self-explanatory.

Article 7

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Paragraph (1)

Grace period in this paragraph is defined as a grace period for the repayment of principal and/or interest installments.

Paragraph (2)

Self-explanatory.

Article 10

Doctor's ...

Debtor's business is bankrupt if it experiences so difficult financial problems that it fails to settle its liabilities or declared bankrupt in accordance with applicable laws and regulations.

Article 11

Paragraph (1)

Self-explanatory.

Paragraph (2)

Included in notice is the notice by Indonesia to BPR in the exit meeting.

Article 12

Self-explanatory.

Article 13

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory ...

Self-explanatory.

Letter e

Market value is defined as money guarantee expected to be acquired from trading transactions or exchange results of an asset on the appraisal date after deducted by transaction costs.

Paragraph (2)

Self-explanatory.

Article 14

Paragraph (1)

Appraisal is defined as the internal BPR appraiser's appraisal and opinion on the collateral's economic value based on analysis on objective and relevant facts in accordance with applicable methods and principles.

Paragraph (2)

Self-explanatory.

Article 15

Paragraph (1)

Self-explanatory.

Paragraph (2)

Included in ...

Included in notice is the notice by Indonesia to BPR in the exit meeting.

Article 16

Self-explanatory.

Article 17

Self-explanatory.

Article 18

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Paragraph (1)

The written procedures on Credit Restructuring shall be approved by the Board of Directors.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 21

Self-explanatory.

Article 22 ...

Article 22

Self-explanatory.

Article 23

Paragraph (1)

Self-explanatory.

Paragraph (2)

The settlement efforts are taken, among other things, through active marketing and selling of the OREO.

Paragraph (3)

By recording “non-operational charge” item as the OREO counter account.

Paragraph (4)

The documentation includes, among other things, data and information evidence of the marketing and selling efforts of OREO.

Article 24

Paragraph (1)

Net realizable value is defined as the market value of collateral deducted by estimated costs needed to sell, with a maximum amount of Credit debit balance to be settled with OREO.

Paragraph (2)

Independent appraiser is an appraising company which :

a. is not ...

- a. is not related party with BPR;
- b. is not borrower group with BPR Debtor;
- c. exercises appraising activities based on professional code of ethics and regulations stipulated by competent institution;
- d. applies appraising methods based on appraisal profession standard issued by competent institution;
- e. holds business license issued by competent institution to operate as an appraising company; and
- f. is recorded as member of an association recognized by competent institution.

Paragraph (3)

Self-explanatory.

Article 25

Paragraph (1)

Written procedures on OREO, write off, and collect off shall be approved by the Board of Directors.

Write off is a BPR's administrative action to write off Credit with the quality of Loss from the balance sheet amounting to Debtor's liabilities without canceling BPR's right to collect to Debtor.

Collect off is a BPR's action to cancel Debtor's liabilities unable to be settled.

OREO policy and procedure, write off, and collect off shall include, among other things, criteria, requirements, limit, authority, and responsibility and methods of write off and collect off.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 26

Paragraph (1)

Self-explanatory.

Paragraph (2)

Write off is exercised on the whole provision of funds extended and bound in an agreement.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Collect off in the framework of Credit Restructuring and Credit settlement is aimed at interest of transparency to Debtor.

Credit settlement may be exercised through collateral takeover or settlement by Debtor.

Article 27

Paragraph (1) ...



Paragraph (1)

Efforts which can be taken are in the forms, among other things, of collection to Debtor, Credit Restructuring, repayment request to the party providing guarantee on the Earning Assets, and Credit settlement through collateral takeover.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 28

Self-explanatory.

Article 29

Self-explanatory.

Article 30

Self-explanatory.

Article 31

Self-explanatory.